

IES Administrator 1 backdated invoices purporting to require payment for IES's Undiscounted Share. ANGELIDES instructed IES Administrator 1 to show these invoices to the FCC auditors. ANGELIDES also suggested that IES Administrator 1 falsely represent to the auditors that IES had agreed to pay its 10% share, but that, because IES did not presently have the money to cover those costs, IES had not yet made any payment. ANGELIDES proposed that IES Administrator 1 tell the auditors that C2I recognized IES's difficult financial situation, and that C2I had agreed to give IES additional time to make those payments.

54. I have reviewed copies of approximately nine invoices that IES Administrator 1 told me were given to him/her by JOHN ANGELIDES, the defendant, in early October 2002. Each is dated June 11, 2001 or earlier, and each purports to relate to internet services, internal connections or internet access provided by C2I. Eight of the invoices relate to Funding Year 3, and purport to seek from IES a total of more than \$700,000.

(55) On or about October 8, 2002, JOHN ANGELIDES and OSCAR ALVAREZ, the defendants, met with IES Administrator 1 in IES Administrator 1's office. Also present at this meeting was another of IES's school administrators ("IES Administrator 2"). That meeting was consensually recorded on videotape and audiotape by law enforcement, and I have reviewed the recordings. During the meeting, IES Administrator 1 and IES Administrator 2 discussed with ANGELIDES and ALVAREZ the history of the relationship between IES and C2I. During this meeting:

a. ANGELIDES stated that the SLD needed to be shown proof by schools participating in the E-Rate Program, in the form of a canceled check, that the schools had paid their 10% share. Acknowledging the fact that IES had not previously written any such checks, ANGELIDES reiterated that IES Administrator 1 should tell the FCC auditors that IES had agreed to pay its Undiscounted Share, but that it did not currently have the money, and that it nevertheless intended to pay. ANGELIDES further suggested to IES Administrator 1 and IES Administrator 2 that they should tell the auditors that they had received invoices from C2I for IES's share, but that, because of the "events of September 11," (i.e., the terrorists attacks on September 11, 2001), the school did not have the money right now. ANGELIDES stated that they should "use 9/11 as a wedge" because the auditors would "understand, because" IES is "Islamic."

b. ANGELIDES repeated assured IES Administrator 1 and IES Administrator 2 that C2I was "not going to make you pay, we're not going to make that demand." ANGELIDES acknowledged that the

invoices that were submitted to IES in October 2002 were backdated to 2001, and solely for presentation to the FCC auditors. In addition, ANGELIDES characterized a written document entitled "Proposed Payment Schedule" -- a document which Angelides also gave to IES and asked IES to show to the auditors -- as "just a facade." ALVAREZ repeatedly expressed agreement with these representations and characterizations.

c. IES Administrator 2 stated that he/she was contemplating showing to the FCC auditors the January 18, 2000, letter (i.e., the letter stating there would be "absolutely no cost to the school"), and ANGELIDES urged him/her not to do so. Administrator 2 asked if it was alright if IES Administrator 2 told the SLD that C2I made a "contribution" to IES to cover the 10%, and both ANGELIDES and ALVAREZ responded that he/she should not do that. ANGELIDES said "no, that's going to kill everyone." ALVAREZ agreed, emphasizing that such an arrangement was "illegal." ANGELIDES told the IES administrators that C2I had provided letters similar to the January 18, 2000, letter (promising those schools that they would not have to pay their Undiscounted Shares) to four schools, including Al Noor and CSFS.

d. Both ANGELIDES and ALVAREZ acknowledged various ways in which C2I had overcharged the Government for services provided to IES, including installing more wiring than necessary and failing to inform the SLD when inexpensive equipment was substituted for expensive equipment (such as the substitution of two Dell computer servers with a value of approximately \$10,000 each for Sun servers with a value of approximately \$30,000 each).

(56) On or about October 9, 2002, acting on my instructions, IES Administrator 2 telephoned JOHN ANGELIDES, the defendant. During the the tape-recorded conversation that followed:

(a) ANGELIDES "highly recommended" that IES Administrator 2 not show the January 18, 2000, letter to the government, and added that, if they did show it, it was "going to get us all into trouble - we're all going to be in a pickle."

(b) ANGELIDES acknowledged that he signed the January 18, 2000 letter, but claimed that he did so "reluctantly" and only after GARY BLUM, the defendant, had made that offer to IES. ANGELIDES stated that BLUM had made this type of arrangement with "most" of the schools that C2I worked with, noting that C2I had promised not to charge any money to 16 out of 24 schools for which C2I received E-Rate funding in Funding Year Three.

(57) On or about October 10, 2002, acting on my instructions, IES Administrator 1 and IES Administrator 2 telephoned JOHN ANGELIDES, the defendant. In the conversation that followed, ANGELIDES repeated many of statements made in earlier conversations and strongly urged the IES administrators to lie to the FCC auditors and conceal information from them. ANGELIDES explained that it was one thing for IES Administrator 2 to tell the auditors that IES did not have the money to pay C2I, but a different thing to say IES "colluded" with C2I beforehand to violate E-Rate's rules. ANGELIDES stated that "collusion" "violates their [i.e., SLD's] basic rules" "as spelled out clearly" in the SLD's website. ANGELIDES also said that, if the IES administrators told the SLD there was an initial arrangement for the school not to pay, the school "could lose the equipment," and the SLD would punish the school and the vendor.

(58) On or about October 17, 2002, acting on my instructions, IES Administrator 1 telephoned JOHN ANGELIDES, the defendant. In the tape-recorded conversation that followed, ANGELIDES stated that he was "concerned" about the January 18, 2000 letter. ANGELIDES stated that he had found a copy of the letter in his files, but he asked IES Administrator 1 to send a copy of the letter so ANGELIDES could see if both copies were the same.

SAINT JOHN'S LUTHERAN SCHOOL

59. According to USAC and SLD records:

a. Saint John's Lutheran School ("SJLS"), located in Glendale, New York, participated in the E-Rate Program using C2I as its E-Rate vendor.

b. SJLS participated in the E-Rate Program with a 40% discount rate.

c. For Funding Year 3 of the E-Rate Program, C2I applied for a total of approximately \$207,109 in E-Rate funds for goods and services to be provided to SJLS. SJLS did not receive approval for all the funding sought, but received approval for a less extensive funding package, in the amount of approximately \$13,608. This amount purported to be 60% of the total price to be charged to SJLS for E-Rate eligible goods and services. The full amount of \$13,608 was paid to C2I by USAC.

60. I have interviewed an administrator of SJLS ("SJLS Administrator 1"), who advised me of the following, in substance and in part:

a. C2I representatives told SJLS Administrator 1 that, if SJLS retained C2I to be its vendor for the E-Rate Program, the School could obtain internet-related services and equipment at no cost to the school. Specifically, the C2I representatives promised that the school would not be responsible for paying the Undiscounted Share (i.e., in the case of SJLS, its 40% portion), and that C2I would find outside "grants" to cover the School's share.

b. SJLS Administrator 1 repeatedly advised JOHN ANGELIDES, the defendant, that SJLS could not afford to pay the Undiscounted Share of C2I's E-Rate proposals. In response, ANGELIDES sent a letter that confirmed that SJLS would not have to pay anything to participate in the program.

c. C2I never sent any invoices to SJLS for its Undiscounted Portion, and SJLS never paid any money to C2I for equipment and services received in Funding Year 3 of the E-Rate Program.

d. Sometime later, JOHN ANGELIDES, the defendant, asked SJLS Administrator 1 to write a check to C2I on behalf of SJLS for \$9,072. SJLS Administrator 1 told ANGELIDES that SJLS could not afford to make such a payment to C2I, and that the school did not have enough money in its checking account to cover the amount of the check ANGELIDES asked for. ANGELIDES told SJLS Administrator 1 that he had no intention of cashing or depositing the check, and instructed SJLS Administrator 1 to hand the check to a C2I employee designated by ANGELIDES, who would stamp it. ANGELIDES told SJLS Administrator 1 to then make a photocopy of the check, which ANGELIDES stated he simply wanted to keep in his files. On ANGELIDES's instructions, SJLS Administrator 1 wrote the check, which was stamped by a C2I employee. Then, SJLS Administrator 1 gave a photocopy of the check to the C2I employee. According to SJLS Administrator 1, the check itself never left the school, and was never cashed or deposited.

61. SJLS gave me a copy of an agreement, dated January 18, 2000, between C2I and SJLS. The agreement is in the form of a letter from JOHN ANGELIDES, the defendant, to SJLS Administrator 1, and is signed by both individuals. The agreement states, in relevant part: "It is our understanding that St. John Lutheran School will not be responsible for any cost in the proposal made to St. John Lutheran School by Connect2. It is also our agreement that St. John Lutheran School will receive an outside grant to subsidize the school's portion of the project. Therefore, it is our agreement that in accepting the Connect2 proposal, there is absolutely no cost to the school."

62. SJLS also gave me a copy of a check in the amount of \$9,072, from SJLS to C2I, dated October 19, 2001. The check is signed by SJLS Administrator 1. The back of the check contains the stamped notation "For Deposit Only" and the number of an account.

63. I have reviewed a fax dated October 22, 2001, from JOHN ANGELIDES, the defendant, in Staten Island, New York, to an SLD analyst in New Jersey. The fax cover sheet is entitled "ST. JOHN LUTHERAN SCHOOL," and bears the notation: "Enclosing Invoice, Check and certification for schools proportionate amount as requested." GARY BLUM and OSCAR ALVAREZ, the defendants, are identified as having received "CC" copies of the fax. Transmitted with the fax cover sheet are copies of the following documents, among others: (a) the check in the amount of \$9,072, dated October 19, 2001, from SJLS to C2I; and (b) a purported invoice, dated June 11, 2001, from C2I to SJLS for approximately \$9,072, purporting to be regarding "the Schools proportionate amount due to Connect2 for E-Rate service from July 1, 2000 thru June 30, 2001."

CONNECT 2 DID NOT SEEK OR OBTAIN OUTSIDE FUNDING

64. I have spoken to a former employee of C2I ("Insider 1") who told me, in substance and in part, the following:

a. JOHN ANGELIDES, the defendant, regularly instructed C2I's sales force to explain in their sales pitch to schools that C2I would find "outside funding" to cover the Schools' Undiscounted Shares. ANGELIDES claimed to Insider 1 that C2I had a "kitty" of such grant monies donated by "corporations" intended to cover schools' Undiscounted Share.

b. C2I never employed anyone who was designated to fill out the voluminous paperwork that would have been required to obtain grants of that sort. In his/her entire time working at C2I, Insider 1 never saw any grant application materials (other than a few blank forms and some informational material Insider 1 gathered on his/her own), and he/she never heard of any specific grants being sought or being obtained for schools. Insider 1 also informed me that he/she was aware of no system in place at C2I for earmarking or otherwise setting aside funds in the alleged "kitty" to cover particular schools' Undiscounted Share.

65. None of the school administrators with whom I spoke was aware of any school receiving any grant to cover the school's Undiscounted Share of its E-Rate Program participation (except in the case of Children's Store Front School, where, as described above, the administrators from that school were led to believe, falsely, that the Gilder Foundation would supply a grant). Nor did

C2I ever request that the school submit any grant application paperwork for such grants, nor that those administrators meet with any potential donors.

CONNECT 2 INTERNET'S OBSTRUCTION OF THE GRAND JURY

66. On or about December 4, 2001, I served C2I with a Grand Jury Subpoena Duces Tecum, issued in the Southern District of New York, requiring the production of "any and all records pertaining to Connect 2 Internet's affiliation with the "E-Rate" Program, including but not limited to contractual agreements with all schools, accounts payable/receivable records and any and all information regarding donations/contributions made to the Islamic Society of Bay Ridge." The return date for that subpoena was December 6, 2001. Nevertheless, by agreement between C2I's counsel and government counsel, the return date for full compliance with the subpoena was extended several times.

67. On June 6, 2002, C2I, via counsel, produced a final set of documents. The cover letter, which is addressed to me, states: "Based on upon (sic) the assurances of our client, you are now in possession of the complete universe of documents responsive to the subpoena for Connect2's participation in Years 3, 4 and 5 of the E-Rate Program." The letter was delivered "by hand," and indicated that it had been "cc'd" to JOHN ANGELIDES, the defendant, via facsimile.

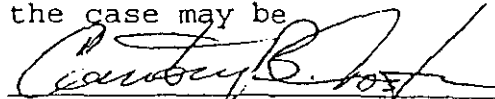
68. I have reviewed the materials produced by C2I in response to the Grand Jury, and found that numerous incriminating documents were not included in that production, despite the representations made by C2I's counsel that all the materials were produced. Moreover, based on the particular documents not produced, I believe these documents were withheld strategically, in an intentional and willful attempt to obstruct the Grand Jury investigation and to delay and defeat the due administration of justice. Specifically, although the evidence described above establishes that C2I agreed with virtually every school to which it provided E-Rate eligible services that the school would not have to

pay its Undiscounted Share, the documents and materials evidencing those improper agreements were not produced. Among the documents that were not produced are the following:

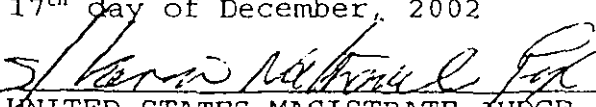
Date	Description	Related School	Cplt. ¶
1/11/2000	Letter from St. Rocco Victoria School to C2I, countersigned by JOHN ANGELIDES stating, <u>inter alia</u> , "in accepting the [C2I] proposal there is absolutely no cost to the school."	Saint Rocco Victoria School	29
1/14/2000	letter from AHRC to JOHN ANGELIDES, stating, <u>inter alia</u> , "AHRC is absolved from any costs associated with the E-Rate proposal, (specifically, the 10% school costs)."	Association for the Help of Retarded Children	43
1/12/2001	Letter from GARY BLUM to Association for the Help of Retarded Children, stating, <u>inter alia</u> , "AHRC will have no liabilities for this portion of the costs."	Association for the Help of Retarded Children	44

1/18/2000	Letter signed by JOHN ANGELIDES and initialed by GARY BLUM from C2I to Islamic Elementary School, stating, <u>inter alia</u> , "It is our agreement that Islamic Elementary School will not be responsible for any cost in the proposal made to Islamic Elementary School by Connect2. . . . In accepting the Connect2 proposal, there is absolutely no cost to the school."	Islamic Elementary School	51
1/18/2000	Letter signed by JOHN ANGELIDES from C2I to St. John Lutheran School, stating, <u>inter alia</u> , "It is our understanding that St. John Lutheran School will not be responsible for any cost in the proposal made to St. John Lutheran School by Connect2. . . . It is our understanding that in accepting the Connect2 proposal, there is absolutely no cost to the school."	St. John Lutheran School	61

WHEREFORE, deponent prays that a warrant be issued for the arrest of the above-named defendants, and that they be arrested and imprisoned, or bailed, as the case may be.


COURTNEY FOSTER
FEDERAL BUREAU OF INVESTIGATION

Sworn to before me this
17th day of December, 2002


UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK

KEVIN NATHANIEL FOX
United States Magistrate Judge
Southern District of New York

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- - - - - x

UNITED STATES OF AMERICA :

- v. - :

JOHN ANGELIDES, :

Defendant. :

- - - - - x

INFORMATION

03 Cr.

COUNT ONE

(Fraud, False Claims and False Statements Conspiracy)

The United States Attorney charges:

The E-Rate Program

1. In or about 1998, the Federal government implemented a program to provide subsidies to schools and libraries in financial need for use in the purchase and installation of internet access and telecommunications services as well as internal computer and communication networks (the "E-Rate Program"). The program is administered under contract with the Government by a private, not-for-profit company called the Universal Service Administration Company ("USAC"), and a subdivision of USAC called the "Schools and Libraries Division" ("SLD"). The Federal Communications Commission ("FCC") oversees and regulates USAC and SLD.

2. One of the principal objectives of the E-Rate Program is to encourage economically disadvantaged schools to create and upgrade their internet and communications

infrastructure, and to provide their students with access to the internet as a learning tool. To further this objective, the Federal government has, since the inception of the program, offered to pay a large portion of the cost of each participant school's infrastructure enhancements, where such schools meet the E-Rate Program's eligibility requirements.

3. One of the E-Rate Program's core eligibility requirements is that each applicant school pay some percentage of the cost of the infrastructure enhancement. The percentage that the applicable school must pay ranges from 10% to 80%, depending on particular characteristics related to the neediness of each applicant institution (hereinafter, the school's "Undiscounted Share"). The Government pays the balance of that cost, which ranges from as low as 20% to as high as 90%. Among the reasons why the applicant schools are required to pay a portion of the costs are: (i) to ensure that schools have a financial incentive to negotiate for the most favorable prices, so that the government's spending under the program is not wasteful; and (ii) to ensure that schools only purchase infrastructure and equipment that they truly need.

Connect 2 Internet and the Defendants

4. At all times relevant to this Information, Connect 2 Internet Networks, Inc. ("Connect 2") was a vendor of internet and communications infrastructure and related services.

5. At all times relevant to this Information, JOHN ANGELIDES, the defendant, was the owner and principal officer of Connect 2.

6. A number of schools in the New York City and New Jersey area have applied for and received funding from the E-Rate Program to establish, enhance and/or upgrade those schools' internet infrastructure, using Connect 2 as their vendor for internet related services and equipment. Specifically, in the period from approximately July 1998 to the present, Connect 2 was the vendor of goods and services for more than 200 schools participating in the E-Rate Program. Most of these schools purported to participate at a 90% discount rate (i.e., the discount rate associated with the most financially disadvantaged schools), and consequently, under the rules of the E-Rate Program, those schools were obligated to pay 10% of the cost of goods and services, and Connect 2 sought payment from the Government for the purportedly remaining 90%.

Overview of the Fraudulent Scheme

7. JOHN ANGELIDES, the defendant, and co-conspirators not named as defendants herein, devised and carried out a scheme to obtain E-Rate funds for goods and services that Connect 2 provided to various schools on the false pretense that the schools would pay or had paid their Undiscounted Share of the costs of those goods and services. In fact, ANGELIDES and Connect 2 charged the schools

nothing for these goods and services, and assured the schools that they would never have to pay for the goods and services. In this way, ANGELIDES and Connect 2 were able to sell E-Rate eligible goods and services to schools across the New York City area with little or no control on the price they charged, and impose the entire cost on the Government.

8. Among the schools through which JOHN ANGELIDES, the defendant, perpetrated this fraudulent scheme were: the Al Noor School, located in Brooklyn, New York; the Saint Rocco Victoria School, located in Newark, New Jersey; the Children's Store Front School, located in Manhattan, New York; schools operated at various times in Brooklyn, the Bronx and Manhattan by the Association for the Help of Retarded Children; the Islamic Elementary School, located in Queens, New York; the Saint John's Lutheran School, located in Glendale, New York; and the Annunciation School, located in the Bronx, New York (collectively, hereinafter, the "Schools").

9. JOHN ANGELIDES, the defendant, and his co-conspirators induced the Schools to participate in the scheme and to hire Connect 2 as their E-Rate Vendor. ANGELIDES also deceived the Government into believing that the Schools had paid their Undiscounted Share by, among other things:

(a) falsely representing to school administrators that the Schools' Undiscounted Share would be covered by "outside

grants" or "outside sources of funding" donated to Connect 2 for that purpose;

(b) asking the Schools to write checks payable to Connect 2 and agreeing not to cash the checks;

(c) asking the Schools to write checks payable to Connect 2 and agreeing to return the money in cash or by check payable to the Schools or their designees;

(d) creating back-dated invoices and other phony billing documents to give the false appearance that Connect 2 billed the Schools for their Undiscounted Share;

(e) concealing communications in which the defendants assured the Schools that they would not have to pay for any of the goods and services being supplied by Connect 2; and

(f) providing school administrators with false and misleading documents designed to conceal the scheme and enable Connect 2 to collect more money from the E-Rate Program.

The Conspiracy

10. From at least in or about the Fall of 1999, through at least in or about October 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES, the defendant, and others known and unknown, unlawfully, willfully and knowingly did combine, conspire, confederate and agree together and with each other to violate the laws of the United States, to wit, Title 18, United States Code, Sections 287, 1001, and 1343.

The Objects of the Conspiracy

11. It was a part and an object of the conspiracy that JOHN ANGELIDES, the defendant, and others known and unknown, unlawfully, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, would and did transmit and cause to be transmitted by means of wire, radio and television communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds for the purpose of executing such a scheme and artifice and attempting so to do, in violation of Title 18, United States Code, Section 1343.

12. It was further a part and an object of the conspiracy that JOHN ANGELIDES, the defendant, and others known and unknown, unlawfully, willfully and knowingly, made and presented to persons and officers in the civil service of the United States and to departments and agencies thereof, claims upon and against the United States and departments and agencies thereof, knowing such claims to be false, fictitious and fraudulent, in violation of Title 18, United States Code, Section 287.

13. It was further a part and an object of the conspiracy that JOHN ANGELIDES, the defendant, and others known and unknown, in a matter within the jurisdiction of the executive and legislative branches of the Government of the United States,

unlawfully, willfully and knowingly, falsified, concealed and covered up by trick, scheme and device material facts, and made materially false and fraudulent statements and representations, and made and used false, fictitious writings and documents knowing the same to contain materially false, fictitious and fraudulent statements and entries, in violation of Title 18, United States Code, Section 1001(a).

Means and Methods of the Conspiracy

14. Among the means and methods by which JOHN ANGELIDES, the defendant, and his co-conspirators carried out the conspiracy were the following:

a. JOHN ANGELIDES, the defendant, and his co-conspirators falsely represented to various School administrators that their Schools' participation in the E-Rate Program would be at no cost to the Schools; and that the Schools' Undiscounted Share would be covered by "outside grants" or "outside sources of funding" donated to Connect 2 for that purpose;

b. JOHN ANGELIDES, the defendant, and his co-conspirators requested that School officials write checks payable to Connect 2 while agreeing not to cash the checks;

c. JOHN ANGELIDES, the defendant, and his co-conspirators requested that School officials write checks payable to Connect 2 while agreeing to return those monies to the Schools or their designees; and

d. JOHN ANGELIDES, the defendant, and his co-conspirators created back-dated invoices and other phony billing documents to give the false appearance that Connect 2 had billed the Schools for their Undiscounted Share;

e. JOHN ANGELIDES, the defendant, and his co-conspirators concealed communications in which they assured the Schools that they would not have to pay for any of the goods and services being supplied by Connect 2; and

f. JOHN ANGELIDES, the defendant, and his co-conspirators attempted to persuade school administrators to lie to government investigators and give them false and misleading documents, in order to conceal the scheme and enable the defendants to collect more money from the E-Rate Program.

Overt Acts

15. In furtherance of said conspiracy and to effect the illegal objects thereof, JOHN ANGELIDES, the defendant, and others known and unknown, committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. On or about January 13, 2000, JOHN ANGELIDES, the defendant, sent a letter he signed on behalf of Connect 2 by fax communication from Staten Island, New York, to the St. Rocco Victoria School in Newark, New Jersey, stating that the School could participate in the E-Rate Program with "absolutely no cost to the school."

b. In or about January 2000, in New York, New York, JOHN ANGELIDES, the defendant, told an employee of the Association for the Help of Retarded Children that the Association could participate in the E-Rate Program and incur no cost.

c. On or about January 18, 2000, JOHN ANGELIDES, the defendant, signed a letter on behalf of Connect 2 stating to the St. John Lutheran School in Queens, New York, that it could participate in the E-Rate Program with "absolutely no cost to the school."

d. On or about January 18, 2000, JOHN ANGELIDES, the defendant, signed a letter on behalf of Connect 2 advising the Islamic Elementary School in Queens, New York, that it could participate in the E-Rate Program with "absolutely no cost to the school."

e. On or about July 30, 2001, JOHN ANGELIDES, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that ANGELIDES and Connect 2 were acting in compliance with the rules and regulations of the E-Rate Program, and enclosing false, incomplete and misleading documentation to support that false representation.

f. On or about August 30, 2001, JOHN ANGELIDES, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey,

that falsely represented that ANGELIDES and his company, Connect 2, were acting in compliance with the rules and regulations of the E-Rate Program, and enclosing false, incomplete and misleading documentation to support that false representation.

g. On or about October 10, 2001, JOHN ANGELIDES, the defendant, received approximately \$54,999 from a co-conspirator not named as a defendant herein, as part of a "check exchange" perpetrated to create the misimpression that Connect 2 was acting in compliance with the rules and regulations of the E-Rate Program.

h. On or about November 21, 2001, JOHN ANGELIDES, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that Connect 2 was acting in compliance with the rules and regulations of the E-Rate Program, and enclosed false, incomplete and misleading documentation to support that false representation.

(Title 18. United States Code, Section 371.)

FORFEITURE ALLEGATION

16. As the result of committing the offense of conspiracy to commit wire fraud, in violation of Title 18, United States Code, Section 371 as alleged in Count One of this Information, JOHN ANGELIDES, the defendant, shall forfeit to the United States pursuant to Title 18, United States Code, Sections 981(a)(1)(C), 1956(c)(7) and 1961(1), and Title 28, United States

Code, Section 2461, all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of this offense, including, but not limited to the following:

a. A sum of money equal to approximately \$290,000 in United States currency, representing the amount of proceeds obtained as a result of the offense.

Substitute Assets Provision

b. If any of the property described above as being subject to forfeiture, as a result of any act or omission of any of the defendant --

(1) cannot be located upon the exercise of due diligence;

(2) has been transferred or sold to, or deposited with, a third party;

(3) has been placed beyond the jurisdiction of the court;

(4) has been substantially diminished in value; or

(5) has been commingled with other property which cannot be divided without difficulty;

it is the intention of the United States, pursuant to Title 21,

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA

- v -

JOHN ANGELIDES,

Defendant.

INFORMATION

03 Cr.

(Title 18 U.S.C. § 371)

JAMES B. COMEY
United States Attorney.



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RECEIVED

May 8, 2003

MAY 28 2003

COHEN & GRESSER LLP

Ira Lee Sorkin, Esq.
Carter Ledyard & Milburn LLP
2 Wall Street, 17th Floor
New York, New York 10005

Re: United States v. John Angelides, et al., 03 Cr. __ ()

Dear Mr. Sorkin:

On the understandings specified below, the Office of the United States Attorney for the Southern District of New York ("this Office") will accept a guilty plea from John Angelides ("the defendant") to Count One of the above-referenced Information. Count One charges the defendant with conspiracy to commit wire fraud, to submit false claims and to make false statements, in violation of Title 18, United States Code, Section 371. Count One carries a maximum sentence of 5 years' imprisonment, a maximum fine or the greater of \$250,000 or, pursuant to Title 18, United States Code, Section 3571, twice the gross pecuniary gain derived from the offense, or twice the gross pecuniary loss to persons other than the defendant resulting from the offense, a \$100 special assessment, and a maximum term of 3 years' supervised release. In addition to the foregoing, the Court must order restitution in accordance with Sections 3663, 3663A and 3664 of Title 18, United States Code.

In addition, as part of his plea, the defendant shall admit to the Forfeiture Allegation in the Information and shall agree to forfeit to the United States, pursuant to Title 18, United States Code, Section 982, a sum of money equal to \$290,000, representing the approximate amount of proceeds obtained as a result of the offense charged in Count One of the Information (the "Subject Property"). It is further understood that, in the event that the United States files a civil action pursuant to Title 18, United States Code, Section 981 seeking to forfeit the Subject Property, the defendant will not file a claim with the Court or otherwise contest such a civil forfeiture action and will not assist a third party in asserting any claim to the Subject Property. It

Ira Lee Sorkin
May 8, 2003

is further understood that the defendant will not file or assist anyone in filing a petition for remission or mitigation with the Department of Justice concerning the Subject Property.

In consideration of his plea to the above offenses, neither the defendant nor Connect 2 Internet Networks, Inc., will be further prosecuted criminally by this Office (except for criminal tax violations as to which this Office cannot, and does not, make any agreement) for participating, from in or about the Fall 1999 through in or about October 2002, in a scheme to defraud the Federal Government's E-Rate school and library funding program through the submission of false, fraudulent and misleading claims and statements, as charged in the Information. In addition, at the time of sentencing, the Government will move to dismiss any open Count(s) against the defendant. The defendant agrees that with respect to any and all dismissed charges he is not a "prevailing party" within the meaning of the "Hyde Amendment," Section 617, P.L. 105-119 (Nov. 26, 1997), and will not file any claim under that law.

In consideration of the foregoing and pursuant to Sentencing Guidelines Section 6B1.4, the parties hereby stipulate to the following:

A. Offense Level

1. The Sentencing Guidelines applicable are those in effect as of November 1, 2001.
2. The Guideline applicable to a violation of Title 18, United States Code § 371 is U.S.S.G. § 2X1.1.
3. Pursuant to U.S.S.G. § 2X1.1(a), the base offense level is the base offense level from the Guideline for the substantive offense, plus any adjustments from such Guideline for any intended offense conduct that can be established with reasonable certainty. Because the defendant completed all the acts he believed necessary for the successful completion of the substantive offense, the offense level is not decreased under U.S.S.G. § 2X1.1(b)(2).
4. The substantive offenses are wire fraud, false claims and false statements, in violation of Title 18, United States Code, Sections 1343, 287 and 1001, respectively. The Guideline for each of those offenses is U.S.S.G. § 2B1.1.
5. Pursuant to U.S.S.G. § 2B1.1, the base offense level is 6.
6. Because the loss amount exceeded \$200,000 but was not more than \$400,000, the offense level is increased 12 levels, pursuant to U.S.S.G. § 2B1.1(b)(1)(G).
7. Assuming the defendant clearly demonstrates acceptance of responsibility, to the satisfaction of the Government, through his allocution and subsequent conduct prior to the

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imposition of sentence, a 2-level reduction will be warranted, pursuant to U.S.S.G. § 3E1.1(a). Furthermore, assuming the defendant has accepted responsibility as described in the previous sentence, an additional 1-level reduction is warranted, pursuant to U.S.S.G. § 3E1.1(b), because the defendant gave timely notice of his intention to enter a plea of guilty, thereby permitting the Government to avoid preparing for trial and permitting the Court to allocate its resources efficiently.

In accordance with the above, the applicable Guidelines offense level is 15.

B. Criminal History Category

Based upon the information now available to this Office (including representations by the defense), the defendant has no criminal history points, and accordingly, the defendant's Criminal History Category is I.

C. Sentencing Range

Based upon the calculations set forth above, the defendant's stipulated sentencing Guidelines range is 18 to 24 months (the "Stipulated Sentencing Range"). In addition, after determining the defendant's ability to pay, the Court may impose a fine pursuant to § 5E1.2. At Guidelines level 15, the applicable fine range is \$4,000 to \$40,000.

D. Other Agreements

The defendant reserves the right to move for a downward departure from the Stipulated Sentencing Range of 18 to 24 months on the basis of "aberrant behavior" pursuant to U.S.S.G. § 5K2.20. The Government reserves the right to oppose that motion. Other than as set forth above, neither party will seek any departure or seek any adjustment not set forth herein. Nor, other than as set forth above, will either party suggest that the Probation Department consider such a departure or adjustment, or suggest that the Court sua sponte consider such a departure or adjustment.

Except as provided in any written Proffer Agreement(s) that may have been entered into between this Office and the defendant, nothing in this agreement limits the right of the parties (i) to present to the Probation Department or the Court any facts relevant to sentencing; (ii) to make any arguments regarding where within the Stipulated Sentencing Range set forth above (or such other range as the Court may determine) the defendant should be sentenced; (iii) to seek an appropriately adjusted Sentencing range if it is determined based upon new information that the defendant's criminal history category is different from that set forth above. Nothing in this agreement limits the right of the Government to seek denial of the adjustment for acceptance of responsibility, see U.S.S.G. § 3E1.1, and/or imposition of an adjustment for obstruction of